



## Senate

General Assembly

January Session, 2015

**File No. 821**

Senate Bill No. 540

*Senate, May 14, 2015*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT INCREASING THE AGGREGATE CAP ON INSURANCE  
REINVESTMENT FUND TAX CREDITS AND RENAMING SUCH FUNDS  
INVEST CT FUNDS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-88a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2015*):

3 (a) As used in this section:

4 (1) "Facility" means an insurance business facility;

5 (2) "Insurance business" means a business with a North American  
6 Industry Classification System code of 524113 to 524298, inclusive, that  
7 is engaged in the business of insuring risks or of providing services  
8 necessary to the business of insuring risks;

9 (3) "New job" means a job that did not exist in the business of a  
10 subject insurance business in this state prior to the subject insurance  
11 business's application to the commissioner for an eligibility certificate

12 under this section for a new facility and that is filled by a new  
13 employee, but does not include a job created when an employee is  
14 shifted from an existing location of the subject insurance business in  
15 this state to a new facility;

16 (4) "New employee" means a person who resides in Connecticut and  
17 is hired by a subject insurance business to fill a position for a new job  
18 or a person shifted from an existing location of the subject insurance  
19 business outside this state to a new facility in this state, provided (A)  
20 in no case shall the total number of new employees allowed for  
21 purposes of this credit exceed the total increase in the taxpayer's  
22 employment in this state, which increase shall be the difference  
23 between (i) the number of employees employed by the subject  
24 insurance business in this state at the time of application for an  
25 eligibility certificate to the commissioner plus the number of new  
26 employees who would be eligible for inclusion under the credit  
27 allowed under this section without regard to this calculation, and (ii)  
28 the highest number of employees employed by the subject insurance  
29 business in this state in the year preceding the subject insurance  
30 business's application for an eligibility certificate to the commissioner,  
31 and (B) a person shall be deemed to be a "new employee" only if such  
32 person's duties in connection with the operation of the facility are on a  
33 regular, full-time, or equivalent thereof, and permanent basis;

34 (5) "New facility" means a facility which (A) is acquired by, leased  
35 to, or constructed by, a subject insurance business on or after the date  
36 of the subject insurance business's application to the commissioner for  
37 an eligibility certificate under this section, unless, upon application of  
38 the subject insurance business and upon good and sufficient cause  
39 shown, the commissioner waives the requirement that such activity  
40 take place after the application, and (B) was not in service or use  
41 during the one-year period immediately prior to the date of the subject  
42 insurance business's application to said commissioner for an eligibility  
43 certificate under this section, unless upon application of the subject  
44 insurance business and upon good and sufficient cause shown, the  
45 commissioner consents to waiving the one-year period;

46 (6) "Related person" means (A) a corporation, limited liability  
47 company, partnership, association or trust controlled by the taxpayer  
48 or subject insurance business, as the case may be, (B) an individual,  
49 corporation, limited liability company, partnership, association or trust  
50 that is in control of the taxpayer or subject insurance business, as the  
51 case may be, (C) a corporation, limited liability company, partnership,  
52 association or trust controlled by an individual, corporation, limited  
53 liability company, partnership, association or trust that is in control of  
54 the taxpayer or subject insurance business, as the case may be, or (D) a  
55 member of the same controlled group as the taxpayer or subject  
56 insurance business, as the case may be. For purposes of this section,  
57 "control", with respect to a corporation, means ownership, directly or  
58 indirectly, of stock possessing fifty per cent or more of the total  
59 combined voting power of all classes of the stock of such corporation  
60 entitled to vote. "Control", with respect to a trust, means ownership,  
61 directly or indirectly, of fifty per cent or more of the beneficial interest  
62 in the principal or income of such trust. The ownership of stock in a  
63 corporation, of a capital or profits interest in a partnership or  
64 association or of a beneficial interest in a trust shall be determined in  
65 accordance with the rules for constructive ownership of stock  
66 provided in Section 267(c) of the Internal Revenue Code of 1986, or any  
67 subsequent corresponding internal revenue code of the United States,  
68 as from time to time amended, other than paragraph (3) of Section  
69 267(c) of said internal revenue code;

70 (7) "Moneys of the taxpayer" means all amounts invested in a fund,  
71 directly or indirectly, on behalf of a taxpayer, including but not limited  
72 to (A) direct investments made by the taxpayer, and (B) loans made to  
73 the fund for the benefit of the taxpayer which loans are guaranteed by  
74 the taxpayer, provided no amounts represented by any such loan shall  
75 be used for the purpose of obtaining any tax credit by any person  
76 making such loan against any tax levied by this state;

77 (8) "Income year" means (A) with respect to corporations subject to  
78 taxation under chapter 208, the income year as determined under said  
79 chapter, (B) with respect to insurance companies, hospital and medical

80 services corporations subject to taxation under chapter 207, the income  
81 year as determined under said chapter, and (C) with respect to  
82 taxpayers subject to taxation under chapter 229, the taxable year  
83 determined under chapter 229;

84 (9) "Taxpayer" means any person as defined in section 12-1, whether  
85 or not subject to any taxes levied by this state; and

86 (10) "Commissioner" means the Commissioner of Economic and  
87 Community Development.

88 (b) (1) On or before July 1, 2000, the commissioner shall register  
89 managers of funds created for the purpose of investing in insurance  
90 businesses. Any manager registered under this subsection shall have  
91 its primary place of business in this state. Each applicant shall submit  
92 an application under oath to the commissioner to be registered and  
93 shall furnish evidence satisfactory to the commissioner of its financial  
94 responsibility, integrity, and professional competence to manage  
95 investments. Failure to maintain adequate fiduciary standards shall  
96 constitute cause for the commissioner to revoke, after hearing, any  
97 registration granted under this section. The fund manager shall make a  
98 report on or before the first day of March in each year, under oath, to  
99 the Commissioner of Revenue Services specifying the name, address  
100 and Social Security number or employer identification number of each  
101 investor, the year during which each investment was made by each  
102 investor, the amount of each investment and a description of the fund's  
103 investment objectives and relative performance.

104 (2) There shall be allowed as a credit against the tax imposed under  
105 chapter 207, 208 or 229 or section 38a-743 an amount equal to the  
106 following percentage of the moneys of the taxpayer invested through a  
107 fund manager in an insurance business with respect to the following  
108 income years of the taxpayer: (A) With respect to the income year in  
109 which the investment in the subject insurance business was made and  
110 the two next succeeding income years, zero per cent; (B) with respect  
111 to the third full income year succeeding the year in which the  
112 investment in the subject insurance business was made and the three

113 next succeeding income years, ten per cent; (C) with respect to the  
114 seventh full income year succeeding the year in which the investment  
115 in the subject insurance business was made and the two next  
116 succeeding income years, twenty per cent. The sum of all tax credit  
117 granted pursuant to the provisions of this subsection shall not exceed  
118 fifteen million dollars with respect to investments made by a fund or  
119 funds in any single insurance business, and with respect to all  
120 investments made by a fund shall not exceed the total amount  
121 originally invested in such fund. Any fund manager may apply to the  
122 Commissioner of Economic and Community Development for a credit  
123 that exceeds the limitations established by this subdivision. The  
124 commissioner shall evaluate the benefits of such application and make  
125 recommendations to the General Assembly if he determines that the  
126 proposal would be of economic benefit to the state.

127 (3) The credit allowed by this subsection may be claimed only by a  
128 taxpayer who has invested in an insurance business through a fund  
129 (A) which has a total asset value of not less than thirty million dollars  
130 for the income year for which the initial credit is taken; (B) has not less  
131 than three investors who are not related persons with respect to each  
132 other or to any insurance business in which any investment is made  
133 other than through the fund at the date the investment is made; and  
134 (C) which invests only in insurance businesses that are not related  
135 persons with respect to each other.

136 (4) The credit allowed by this subsection may be claimed only with  
137 respect to a subject insurance business which (A) occupies the new  
138 facility for which an eligibility certificate has been issued by the  
139 commissioner and with respect to which the certification required  
140 under subdivision (6) of this subsection has been issued as its home  
141 office, and (B) employs not less than twenty-five per cent of its total  
142 work force in new jobs.

143 (5) The credit allowed by this subsection may be claimed only with  
144 respect to an income year for which a certification of continued  
145 eligibility required under subdivision (6) of this subsection has been

146 issued. If, with respect to any year for which a tax credit is claimed,  
147 any subject insurance business ceases at any time to employ at least  
148 twenty-five per cent of its total work force in new jobs, then, except as  
149 provided in subdivision (6) of this subsection, the entitlement to the  
150 credit allowed by this subsection shall not be allowed for the taxable  
151 year in which such employment ceases, and there shall not be a pro  
152 rata application of the credit to such taxable year; provided, if the  
153 reason for such cessation is the dissolution, liquidation or  
154 reorganization of such insurance business in a bankruptcy or  
155 delinquency proceeding, as defined in section 38a-905, the credit shall  
156 be allowed.

157 (6) The commissioner, upon application, shall issue an eligibility  
158 certificate for an insurance business occupying a new facility in this  
159 state and employing new employees, after it has been established, to  
160 his satisfaction, that subject insurance business has complied with the  
161 provisions of this subsection. If the commissioner determines that such  
162 requirements have been met as a result of transactions with a related  
163 person for other than bona fide business purposes, he shall deny such  
164 application. The commissioner shall require the subject insurance  
165 business to submit annually such information as may be necessary to  
166 determine whether the appropriate occupancy and employment  
167 requirements have been met at all times during an income year. If the  
168 commissioner determines that such requirements have been so met, he  
169 shall issue a certification of continued eligibility to that effect to the  
170 subject insurance business on or before the first day of the third month  
171 following the close of the subject insurance business's income year.

172 (7) The commissioner shall, upon request, provide a copy of the  
173 eligibility certificate and the certification required under subdivision  
174 (6) of this subsection to the Commissioner of Revenue Services.

175 (8) (A) If (i) the number of new employees on account of which a  
176 taxpayer claimed the credit allowed by this subsection decreases to less  
177 than twenty-five per cent of its total work force for more than sixty  
178 days during any of the taxable years for which a credit is claimed, (ii)

179 those employees are not replaced by other employees who have not  
180 been shifted from an existing location of the subject insurance business  
181 in this state, and (iii) the subject insurance business has relocated  
182 operations conducted in the new facility to a location outside this state,  
183 the taxpayer shall be required to recapture a percentage, as determined  
184 under the provisions of subparagraph (B) of this subdivision, of the  
185 credit allowed under this subsection on its tax return and no  
186 subsequent credit shall be allowed. If the credit claimed by the  
187 taxpayer under this subsection is attributable to investments made in  
188 more than one insurance business, the credit recaptured and  
189 disallowed under this subdivision shall be that portion of the credit  
190 attributable to the investment in the insurance business as described in  
191 subparagraphs (A)(i) to (A)(iii), inclusive, of this subdivision.

192 (B) If the taxpayer is required under the provisions of subparagraph  
193 (A) of this subdivision to recapture a portion of the credit during (i) the  
194 first year such credit was claimed, then ninety per cent of the credit  
195 allowed shall be recaptured on the tax return required to be filed for  
196 such year, (ii) the second of such years, then sixty-five per cent of the  
197 credit allowed for the entire period of eligibility shall be recaptured on  
198 the tax return required to be filed for such year, (iii) the third of such  
199 years, then fifty per cent of the credit allowed for the entire period of  
200 eligibility shall be recaptured on the tax return required to be filed for  
201 such year, (iv) the fourth of such years, then thirty per cent of the  
202 credit allowed for the entire period of eligibility shall be recaptured on  
203 the tax return required to be filed for such year, (v) the fifth of such  
204 years, then twenty per cent of the credit allowed for the entire period  
205 of eligibility shall be recaptured on the tax return required to be filed  
206 for such year, and (vi) the sixth or subsequent of such years, then ten  
207 per cent of the credit allowed for the entire period of eligibility shall be  
208 recaptured on the tax return required to be filed for such year. Any  
209 credit recaptured pursuant to this subdivision shall not be in excess of  
210 the credit that would be allowed for the applicable investment. The  
211 Commissioner of Revenue Services may recapture such credits from  
212 the taxpayer who has claimed such credits. If the commissioner is  
213 unable to recapture all or part of such credits from such taxpayer, the

214 commissioner may seek to recapture such credits from any taxpayer  
215 who has assigned such credits to another taxpayer. If the  
216 commissioner is unable to recapture all or part of such credits from  
217 any such taxpayer, the commissioner may recapture such credits from  
218 the fund.

219 (C) The recapture provisions of this subdivision shall not apply and  
220 tax credits may continue to be claimed under this subsection if, for the  
221 entire period that the credit is applicable, such decrease in the  
222 percentage of total work force employed in this state does not result in  
223 an actual decrease in the number of persons employed by the subject  
224 insurance business in this state on a regular, full-time, or equivalent  
225 thereof, and permanent basis as compared to the number of new  
226 employees on account of which the taxpayer claimed the credit  
227 allowed by this subsection.

228 (c) (1) As used in this subsection:

229 (A) "Allocation date" means the date an [insurance reinvestment]  
230 invest CT fund receives an investment of eligible capital equaling the  
231 amount of credits against the tax imposed under chapter 207 and  
232 section 38a-743 allocated to taxpayers who invest in such [insurance  
233 reinvestment] invest CT fund;

234 (B) "Eligible business" means a business that has its principal  
235 business operations in Connecticut, has fewer than two hundred fifty  
236 employees at the time of investment and not more than ten million  
237 dollars in net income in the previous year;

238 (C) "Eligible capital" means an investment of cash by a taxpayer in  
239 an [insurance reinvestment] invest CT fund that fully funds the  
240 purchase price of an equity interest in the [insurance reinvestment]  
241 invest CT fund or an eligible debt instrument issued by an [insurance  
242 reinvestment] invest CT fund, at par value or a premium, that (i) has  
243 an original maturity date of at least five years after the date of  
244 issuance, (ii) has a repayment schedule that is not faster than a level  
245 principal amortization over five years, and (iii) has no interest,



246 distribution or payment features tied to the [insurance reinvestment]  
247 invest CT fund's profitability or the success of the investments;

248 (D) "Green technology business" means an eligible business with not  
249 less than twenty-five per cent of its employment positions being  
250 positions in which green technology is employed or developed and  
251 may include the occupation codes identified as green jobs by the  
252 Department of Economic and Community Development and the Labor  
253 Department for such purposes;

254 (E) "Income year" means the income year as determined in chapter  
255 207 for the taxpayer;

256 (F) ["Insurance reinvestment fund"] "Invest CT fund" means a  
257 Connecticut partnership, corporation, trust or limited liability  
258 company, whether organized on a profit or not-for-profit basis, that (i)  
259 is managed by at least two principals or persons that have at least four  
260 years of experience each in managing venture capital or private equity  
261 funds, with at least fifty million dollars of such funds from people  
262 unaffiliated with the manager, (ii) has received an equity investment of  
263 capital other than eligible capital equal to no less than five per cent of  
264 the total amount of the eligible capital to be invested in such [insurance  
265 reinvestment] invest CT fund, and (iii) is not, or will not be after the  
266 receipt of eligible capital, controlled by or under common control with,  
267 one or more insurance companies. An investment of eligible capital  
268 shall not result in insurance company control unless such investment  
269 exceeds forty million dollars per taxpayer and results in insurance  
270 companies having the right to vote more than fifty per cent of the  
271 equity interests of the [insurance reinvestment] invest CT fund cash  
272 invested in such [insurance reinvestment] invest CT fund, provided  
273 this provision shall not prohibit the interim control of an [insurance  
274 reinvestment] invest CT fund by one or more insurance companies  
275 upon a breach of any payment obligation of the [insurance  
276 reinvestment] invest CT fund or contractual or other agreement by the  
277 [insurance reinvestment] invest CT fund that is designed to ensure  
278 compliance with this section; and

279 (G) "Principal business operations" means at least eighty per cent of  
280 the business organization's employees reside in the state or eighty per  
281 cent of the business payroll is paid to individuals living in this state.

282 (2) A taxpayer that makes an investment of eligible capital shall, in  
283 the year of investment, earn a vested credit against the premium tax  
284 imposed pursuant to chapter 207 and section 38a-743. Such credit shall  
285 be available as follows: (A) Commencing with the tax return due for  
286 the first to third, inclusive, tax years, zero per cent; (B) commencing  
287 with the tax return due for the fourth to seventh, inclusive, tax years,  
288 not more than ten per cent; and (C) commencing with the tax return  
289 due for the eighth to tenth, inclusive, tax years, not more than twenty  
290 per cent. The maximum amount of eligible capital for which credits  
291 may be allowed under this subsection shall not result in more than  
292 forty million dollars of tax credits being used in any one year exclusive  
293 of any carried forward credits and no fund shall apply for more than  
294 the total amount of credits available under this section.

295 (3) On or before July 1, 2010, the Commissioner of Economic and  
296 Community Development shall begin to accept applications for  
297 certification as an [insurance reinvestment] invest CT fund and for  
298 allocations of tax credits under this subsection. Applications shall  
299 include: (A) The amount of eligible capital the applicant will raise; (B)  
300 a nonrefundable application fee of seven thousand five hundred  
301 dollars; (C) evidence of satisfaction of the requirements of the  
302 definition of ["insurance reinvestment fund"] "invest CT fund"  
303 pursuant to subparagraph (F) of subdivision (1) of this subsection; (D)  
304 an affidavit by each taxpayer committing an investment of eligible  
305 capital; (E) a business plan detailing (i) the approximate percentage of  
306 eligible capital the applicant will invest in eligible businesses by the  
307 third, fifth, seventh and ninth anniversaries of its allocation date, (ii)  
308 the industry segments listed by the North American Industrial  
309 Classification System code and percentage of eligible capital in which  
310 the applicant will invest, (iii) the number of jobs that will be created or  
311 retained as a result of the applicant's investments once all eligible  
312 capital has been invested, (iv) the percentage of eligible capital to be

313 invested in eligible businesses primarily engaged in conducting  
314 research and development or manufacturing, processing or assembling  
315 technology-based products; and (v) a revenue impact assessment  
316 demonstrating that the applicant's business plan has a revenue neutral  
317 or positive impact on the state; (F) a commitment to invest at least  
318 twenty-five per cent of its eligible capital in green technology  
319 businesses; and (G) a commitment to invest by the third anniversary of  
320 its allocation date, three per cent of its eligible capital in preseed  
321 investments in consultation with Connecticut Innovations,  
322 Incorporated, pursuant to the corporation's program for preseed  
323 financing established pursuant to section 32-41x. The commissioner  
324 may require the applicant to obtain a revenue impact assessment  
325 conducted by an independent third party.

326 (4) Applications for tax credits pursuant to this subsection shall be  
327 accepted and approved on a first-come, first-served basis with all  
328 applications received on the same date deemed to be received  
329 simultaneously and approvals being made on a pro rata basis if such  
330 applications exceed the amount of remaining credits.

331 (5) The commissioner shall issue an allocation of credits subject to  
332 confirmation on a form prescribed by the commissioner by the fund  
333 that an investment of eligible capital was received within five business  
334 days. If an [insurance reinvestment] invest CT fund does not receive an  
335 investment of eligible capital equaling the amount of credits against  
336 the tax imposed under chapter 207 and section 38a-743 allocated to a  
337 taxpayer, for which it filed an affidavit with its application prior to the  
338 fifth business day after receipt of certification, the [insurance  
339 reinvestment] invest CT fund shall notify the commissioner by  
340 overnight common carrier delivery service and that portion of eligible  
341 capital allocated to the insurance company shall be forfeited. Such  
342 [insurance reinvestment] invest CT fund and forfeiting taxpayer shall  
343 each be assessed a twenty-five-thousand-dollar administrative penalty.  
344 The commissioner shall reallocate the forfeited eligible capital among  
345 all other remaining taxpayers that invested eligible capital.

346 (6) To continue to be certified, an [insurance reinvestment] invest  
347 CT fund shall (A) be in compliance with the investment parameters set  
348 forth in its business plan, provided an [insurance reinvestment] invest  
349 CT fund may apply to the commissioner to amend its business plan  
350 based on unavoidable or reasonably unanticipated changes to various  
351 conditions, including, but not limited to, the general economic climate  
352 of the state or particular sectors of the economy, technological  
353 advances and high employment and revenue growth opportunities,  
354 with approval for such changes not to be unreasonably withheld by  
355 the commissioner; (B) be in compliance with the revenue impact  
356 assessment provided in the application demonstrating that the fund's  
357 business plan continues to have a revenue neutral or positive impact  
358 on the state; (C) have invested sixty per cent of its eligible capital in  
359 eligible businesses by the fourth anniversary of its allocation date; and  
360 (D) have invested one hundred per cent of its eligible capital in eligible  
361 businesses by the tenth anniversary of its allocation date, with a  
362 minimum of twenty-five per cent of eligible capital invested in green  
363 technology businesses. An [insurance reinvestment] invest CT fund  
364 shall only invest eligible capital in eligible businesses, bank deposits,  
365 certificates of deposit or other fixed income securities and may not  
366 invest more than fifteen per cent of its eligible capital in any one  
367 eligible business without prior approval of the commissioner.

368 (7) Not later than January thirty-first annually, each [insurance  
369 reinvestment] invest CT fund shall report to the commissioner: (A) The  
370 amount of eligible capital remaining at the end of the preceding year;  
371 (B) each investment in an eligible business during the preceding year  
372 and, with respect to each eligible business, its location and North  
373 American Industrial Classification System code; (C) the percentage of  
374 eligible capital invested in green technology businesses; and (D)  
375 distributions made by the [insurance reinvestment] invest CT fund in  
376 the preceding year. In the annual report due in the third, fifth, seventh  
377 and ninth years after its allocation date, each [insurance reinvestment]  
378 invest CT fund shall also report to the commissioner its compliance  
379 with the investment parameters set forth in its business plan and the  
380 revenue impact assessment provided in the application demonstrating

381 that the fund's business plan continues to have a revenue neutral or  
382 positive impact on the state. Each [insurance reinvestment] invest CT  
383 fund shall provide to the commissioner annual audited financial  
384 statements.

385 (8) To make a distribution or payment, an [insurance reinvestment]  
386 invest CT fund must have invested one hundred per cent of its eligible  
387 capital in eligible businesses, with a minimum of twenty-five per cent  
388 of eligible capital invested in green technology businesses, with  
389 principal business operations in this state at the time of such  
390 determination, except: (A) Distributions related to the payment of any  
391 projected increase in federal or state taxes, including penalties and  
392 interest related to state and federal income taxes, of the equity owners  
393 of the [insurance reinvestment] invest CT fund resulting from the  
394 earnings or other tax liability of the [insurance reinvestment] invest CT  
395 fund to the extent that the increase is related to the ownership,  
396 management or operation of the [insurance reinvestment] invest CT  
397 fund; (B) payments of interest and principal on the debt of the  
398 [insurance reinvestment] invest CT fund, provided after such  
399 payment, the [insurance reinvestment] invest CT fund still has cash  
400 and other marketable securities in an amount that, when added to the  
401 cumulative investments it has made in eligible recipients, equals not  
402 less than sixty per cent of the eligible capital invested in such  
403 reinvestment fund; or (C) payments related to the reasonable costs and  
404 expenses of forming, syndicating, managing and operating the fund,  
405 provided the distribution or payment is not made directly or indirectly  
406 to an insurance company that has invested eligible capital in the  
407 [insurance reinvestment] invest CT fund, including: (i) Reasonable and  
408 necessary fees paid for professional services, including legal and  
409 accounting services, related to the formation and operation of the  
410 [insurance reinvestment] invest CT fund; and (ii) an annual  
411 management fee in an amount that does not exceed two and one-half  
412 per cent of the eligible capital of the [insurance reinvestment] invest  
413 CT fund. The state shall receive a share of any distribution, except as  
414 set forth in subparagraphs (A), (B) and (C) of this subsection and  
415 distributions made to return any equity capital invested in the

416 [insurance reinvestment] invest CT fund that is not eligible capital, in  
417 the following percentages: (I) Ten per cent when less than eighty per  
418 cent but more than sixty per cent of the jobs set forth in the [insurance  
419 reinvestment] invest CT fund's business plan are created or retained,  
420 and (II) twenty per cent when sixty per cent or less of the jobs set forth  
421 in the [insurance reinvestment] invest CT fund's business plan are  
422 created or retained.

423 (9) The commissioner shall review each annual report to ensure  
424 compliance with subdivisions (6), (7) and (8) of this subsection. A  
425 material variation of subdivision (6), (7) or (8) of this subsection is  
426 grounds for decertification of the [insurance reinvestment] invest CT  
427 fund. If the commissioner determines that an [insurance reinvestment]  
428 invest CT fund is not in compliance with subdivision (6), (7) or (8) of  
429 this subsection or the investment parameters of its business plan, the  
430 commissioner shall notify the officers of the [insurance reinvestment]  
431 invest CT fund, in writing, that the [insurance reinvestment] invest CT  
432 fund may be subject to decertification after the one hundred twentieth  
433 day after the date of mailing the notice, unless the deficiencies are  
434 waived by the commissioner or are corrected and the [insurance  
435 reinvestment] invest CT fund returns to compliance with subdivisions  
436 (6), (7) and (8) of this subsection.

437 (10) Decertification of an [insurance reinvestment] invest CT fund  
438 shall cause the forfeiture of future credits against the tax imposed by  
439 chapter 207 and section 38a-743 to be claimed with respect to an  
440 [insurance reinvestment] invest CT fund when (A) such decertification  
441 occurs on or before the fourth anniversary of the fund's allocation date,  
442 and (B) such fund has invested less than sixty per cent of its eligible  
443 capital in eligible businesses by said anniversary. The commissioner  
444 shall send written notice to the last-known address of each taxpayer  
445 whose credit against the tax imposed by chapter 207 is subject to  
446 recapture or forfeiture.

447 (d) The tax credit allowed by this section shall only be available for  
448 investments (1) in funds that are not open to additional investments or

449 investors beyond the amount subscribed at the formation of the fund,  
450 or (2) under subsection (c) of this section, in [insurance reinvestment]  
451 invest CT funds that are not open to additional investments or  
452 investors after submission of the [insurance reinvestments] invest CT  
453 fund's application to the commissioner pursuant to subsection (c) of  
454 this section. On and after June 30, 2010, no eligibility certificate shall be  
455 provided under subdivision (6) of subsection (b) of this section for  
456 investments made in an insurance business. On or after July 1, 2011, no  
457 credit shall be allowed under subdivision (2) or (6) of subsection (b) of  
458 this section for an investment of less than one million dollars for which  
459 the commissioner has issued an eligibility certificate. A fund manager  
460 who has received an eligibility certificate but is not yet eligible to  
461 receive a certificate of continued eligibility shall provide  
462 documentation satisfactory to the commissioner not later than June 30,  
463 2011, of its investment of one million dollars or more. Such  
464 documentation shall include, but is not limited to, cancelled checks,  
465 wire transfers, investment agreements or other documentation as the  
466 commissioner may request. On and after July 1, 2011, the  
467 commissioner shall revoke the certificate of eligibility for any  
468 insurance business for which its fund manager failed to provide  
469 sufficient documentation of said investment of not less than one  
470 million dollars. Any credit allowed under subsection (b) or subsection  
471 (g) of this section that has not been claimed prior to January 1, 2010,  
472 may be carried forward pursuant to subsection (i) of this section.

473 (e) The maximum amount of credit allowed under subsection (c) of  
474 this section shall be two hundred fifty million dollars in aggregate and  
475 forty million dollars per year.

476 (f) (1) The Commissioner of Revenue Services may treat one or more  
477 corporations that are properly included in a combined corporation  
478 business tax return under section 12-223 as one taxpayer in  
479 determining whether the appropriate requirements under this section  
480 are met. Where corporations are treated as one taxpayer for purposes  
481 of this subsection, then the credit shall be allowed only against the  
482 amount of the combined tax for all corporations properly included in a

483 combined return that, under the provisions of subdivision (2) of this  
484 subsection, is attributable to the corporations treated as one taxpayer.  
485 (2) The amount of the combined tax for all corporations properly  
486 included in a combined corporation business tax return that is  
487 attributable to the corporations that are treated as one taxpayer under  
488 the provisions of this subsection shall be in the same ratio to such  
489 combined tax that the net income apportioned to this state of each  
490 corporation treated as one taxpayer bears to the net income  
491 apportioned to this state, in the aggregate, of all corporations included  
492 in such combined return. Solely for the purpose of computing such  
493 ratio, any net loss apportioned to this state by a corporation treated as  
494 one taxpayer or by a corporation included in such combined return  
495 shall be disregarded.

496 (g) Any taxpayer allowed a credit under subsection (b) of this  
497 section may assign such credit to another person, provided such  
498 person may claim such credit only with respect to a calendar year for  
499 which the assigning taxpayer would have been eligible to claim such  
500 credit. The fund manager shall include in the report filed with the  
501 Commissioner of Revenue Services in accordance with subdivision (1)  
502 of subsection (b) of this section information requested by the  
503 commissioner regarding such assignments including the current  
504 holders of credits as of the end of the preceding calendar year. Any  
505 taxpayer allowed a credit under subsection (c) of this section may  
506 transfer such credit to an affiliate of such taxpayer.

507 (h) No taxpayer shall be eligible for a credit under this section and  
508 either section 12-217e or section 12-217m for the same investment. No  
509 two taxpayers shall be eligible for any tax credit with respect to the  
510 same investment, employee or facility.

511 (i) Any tax credit not used in the income year for which it was  
512 allowed may be carried forward for the five immediately succeeding  
513 income years until the full credit has been allowed.

514 (j) The commissioner, with the approval of the Commissioner of  
515 Revenue Services and the Secretary of the Office of Policy and



516 Management, may adopt regulations in accordance with chapter 54 to  
517 carry out the purposes of this section.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>July 1, 2015</i>	38a-88a
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**CE**      *Joint Favorable C/R*

FIN

**FIN**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Potential Revenue Loss	None	None

Note: GF=General Fund

#### **Municipal Impact:** None

#### **Explanation**

The bill increases the aggregate cap on all tax credits available under the Insurance Reinvestment Fund tax credit from \$200 million to \$250 million. To the extent such credits are utilized, this results in potential significant General Fund revenue loss beginning as early as FY 19.<sup>1</sup>

### **The Out Years**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$	FY 20 \$
Department of Revenue Services	GF - Potential Revenue Loss	None	Significant	Significant

Note: GF=General Fund

#### **Municipal Impact:** None

<sup>1</sup> Per statute, the tax credit is claimed over a 10 year period, beginning no earlier than four years after the initial qualifying investment.

**OLR Bill Analysis****SB 540*****AN ACT INCREASING THE AGGREGATE CAP ON INSURANCE REINVESTMENT FUND TAX CREDITS AND RENAMING SUCH FUNDS INVEST CT FUNDS.S*****SUMMARY:**

This bill increases the aggregate cap on Insurance Reinvestment Fund tax credits by \$50 million, from \$200 million to \$250 million. It does not change the program's \$40 million annual cap. The credits apply to the insurance premium tax (see BACKGROUND). Insurers qualify for these credits by investing in eligible businesses through state-certified business investment funds, which current law names, "Insurance Reinvestment Funds." The bill renames these funds, "Invest CT Funds."

EFFECTIVE DATE: July 1, 2015

**BACKGROUND*****Reinvestment Fund***

This program provides credits against insurance premium tax for investing in an eligible Connecticut-based business through a state certified business investment fund. In order for investors to claim the credit, the fund must invest in a business that:

1. employs fewer than 250 people when it receives the investment,
2. netted no more than \$10 million in the previous year, and
3. conducts its principal operations in Connecticut with at least 80% of its workers living here or 80% of its payroll going to Connecticut residents.

To be certified, a fund must, among other things, commit to

investing at least:

1. 25% of the credit-eligible capital in “green technology businesses” and
2. 3% of that capital in preseed investments within three years after the fund was fully capitalized by insurance companies seeking credits.

The credit equals 100% of the amount an insurer invests in the fund, but the insurer must claim the credit over 10 years, beginning in the fourth year after it invests in the fund. It can claim up to 10% of the credit per year in years four through seven, inclusive, and 20% per year in the last three years. The insurer may carry unused credits forward for up to five years.

### **COMMITTEE ACTION**

Commerce Committee

Joint Favorable Change of Reference  
Yea 21 Nay 0 (03/10/2015)

Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 49 Nay 0 (04/30/2015)